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HAMILTON AS A POLITICAL ECONOMIST.

It is clear at the outset that our estimate of Hamilton as an economist will depend in part on the sense in which we use the word economist. For our present purpose let us limit the term economics to that branch of sociology which concerns itself with the production and the distribution of wealth. We shall thus find much of Hamilton's work unrelated to our subject. Still, we must keep constantly in mind the close interrelation of social questions, and must not forget that an adequate appreciation of Hamilton the economist presupposes an acquaintance with Hamilton the jurist and Hamilton the statesman. Economic questions are almost always something more than economic questions, having a political and an ethical side as well; and economic considerations must often give way to the higher issues involved. Especially between the economist and the politician is the connection inseparable. In most cases we must proceed with great care before condemning as bad economics what may be only good ethics or admirable politics.

Before passing to the immediate subject of our inquiry there is one other matter that calls for notice. In order to learn how much of an economist Hamilton was, we need to know how great an economist was possible in his time; and we shall do well, accordingly, to consider here just what the condition of economics was at that period. Each of us is the child of his particular epoch, and is closely hedged about by the limitations of his day and generation. Those easily first in one age are more easily last in later days—so rapid is the march of science under modern methods. Especially in economics has the marvelous intellectual fermentation of this century left behind the thinkers of the past. What are economic commonplaces now were formerly far beyond the reach of the strongest minds. Daniel Webster, sharing in the general distrust of economics, resolved the science

into truisms and doubtful points. But we should not forget with what infinite difficulty these "truisms" have become such. It seems a slight thing now to have discovered the doctrine of rent; but plenty of clear-sighted men before Ricardo looked this doctrine full in the face and yet passed it by unrecognized. That the value of commodities is determined ultimately by cost of production and only proximately by supply and demand, seems simple enough today; but Locke could see nothing beyond the immediate controlling force; and even so late as the beginning of the present century Say allowed the superficial cause to blind his eyes to the underlying principle. The Malthusian law of population, according to Professor Francis Bowen, consists of only "one or two truisms;" still, Cantillon sat *tête-à-tête* with this principle, and yet was none the wiser, and Adam Smith entertained the same economic angel unawares. The whole history of the development of economics shows how easy it is to hang upon the very skirts of a great truth, and yet never fairly grasp it.

Simple justice to Hamilton, then, requires that we shall not judge him as an economist without first inquiring what were the possibilities of economists in his time. So far had Hamilton anticipated the spirit of the present age, and so thoroughly modern in style and general treatment are his writings, that we are inclined to overlook the century between him and us, to forget the limitations under which he labored, and to judge his work by a standard far above its proper criterion. The truth is, however, as every student of economic theory knows, that Hamilton found scant material at hand upon which to work. It would be too much to say, perhaps, that political economy was in its infancy in his day, but we venture little in saying that the science had not then reached adolescence. When Hamilton was "preparing the way for futurity" in a New York counting-room, economics hardly existed except in embryo. The leading treatise on the subject was Sir James Steuart's *Inquiry into the Principles of Political Economy* (1767), and the worth of that book may be inferred from the fact that one of the most impor-

tant divisions of the subject—that of international trade—was grounded on the assumption that “one country cannot gain unless another loses.” In fact, it was not until 1776, when the *Wealth of Nations* was published, that there really existed a systematized body of laws concerning the production and the distribution of wealth. Ordinarily, sciences are built up block by block, and are the work of many hands. But it has happened two or three times that a single man has added a new science to our stock of knowledge: Aristotle created the science of logic; and Adam Smith brought into being the first consistent and systematic statement of the laws of wealth.

Thus Hamilton, who first concerned himself with economic questions about the year 1780, was just in the nick of time as regards the development of economic science; and he shows himself in numerous places to have been a close student of the *Wealth of Nations*.¹ But we need to remember here that the closest student of that book would be outstripped today by even a listless student of the current text-books—so much has the science advanced since the days of the Scotch economist. It is sometimes said that economics sprang forth, Athena-like, from the head of Adam Smith; and the statement is sufficiently accurate for common purposes, and does not grossly flatter the work of the Glasgow professor. Still, the allusion means rather too much, since the goddess of wisdom came into the world completely equipped, while the economics of Adam Smith had glaring deficiencies. Thus Hamilton's economic inheritance was not so great, after all. Some of the most fundamental principles of the science were either wholly undetermined or were very imperfectly understood when the Secretary of the Treasury entered upon his duties; and most of the great names that now adorn the annals of economic doctrine were then unknown. We need not be surprised, then, to see Hamilton nodding pretty frequently in his political economy—to find him rather hazy here

¹ According to Mr. Lodge, Hamilton prepared in 1783 an extended commentary, no longer in existence, on the *Wealth of Nations*.—*Hamilton's Works*, vol. iii. p. 417 (edited by HENRY CABOT LODGE; New York: G. P. Putnam's Sons, 1887).

and there in his reasoning and rather uncertain in his grasp of general principles; and just as little need we wonder that economic discussion has so small a share in the total work.

With these preliminary considerations—with the suggestion that Hamilton's field was a broad one, extending far beyond the limits of the merely economic, and that his political economy must accordingly be judged with a side glance at his politics; and with the further reminder that economics had no such development one hundred years ago as at present—we have paved the way, perhaps, for a more intelligent inquiry into Hamilton's merits as an economist.

So early as the year 1780 the young aid-de-camp had found time, amid the engrossing pursuits of army life, to study financial questions; and we shall see, presently, how the results of this study were applied in later times. Hamilton's labors had lain in the same direction, too, when he held the place of superintendent of taxation in his adopted state; and again, when he served as a member of the congress of the Confederation from New York. It was not, however, until the first years of our republic that Hamilton found full scope for the exercise of whatever talents he had as an economist. Appointed to the portfolio of the Treasury department in Washington's first cabinet, Hamilton was confronted with tasks truly Sisyphean. National credit was to be maintained—or, rather, government discredit was to be removed, and public credit created; some instrument was to be found for the safe keeping and easy transfer of the public funds; the whole customs machinery of the country was to be set up and put in gear; an executive department was to be organized with all the attention to details implied in the successful dispatch of the general routine of business. These and other subjects clamored for immediate attention; and the lot of the Secretary of the Treasury was not made more endurable by the easy assurance with which Congress piled fresh burdens upon shoulders already staggering under the weight of their load. "The comfortable presumption which Congress saw fit to adopt was, that

everything which could not be proved undeniably to belong elsewhere must therefore be taken to belong to the Treasury department;" and Mr. Morse further declares¹ that Hamilton might easily have been pardoned "had he mistaken himself for the concentrated government of the country."

Clothed with these liberal commissions, and weighted with the responsibilities correlative thereto, Hamilton set about his work. The finances most imperatively demanded attention; and the First Report on Public Credit² is Hamilton's solution of the problem. This document has been coupled, as regards important consequences, with the Emancipation Proclamation, and has been characterized as the "corner stone of the government of the United States;"³ and the most philosophic of our historians, Dr. von Holst, seems to think⁴ that the elder Wolcott was not far wrong in believing that the Union could not have continued without the aid of this report.

Such opinions could hardly be held of a merely economic state paper; and, in fact, political ideas greatly overshadow economic considerations in the First Report on Public Credit. The economic element, however, is very important. "Finance, my friend," writes Gouverneur Morris to Jay, "all that remains of the American revolution grounds there;" and Hamilton shows himself to have realized fully the weight of these words. But no graver mistake could be made than to regard this report as nothing more than a bit of brilliant financiering. One far-reaching political purpose dominated Hamilton's whole work, and the Report on Public Credit, more than anything else, perhaps, enabled him to accomplish that purpose. To create a powerful public opinion bulwarked in favor of the central government, and thus to rivet together the thirteen disjointed states, was the goal towards which every important measure of Hamilton's was directed. The consolidation of the various obligations, the

¹ *Life of Hamilton*, vol. i. p. 285.

² Submitted to the House of Representatives January 14, 1790.

³ *Works*, vol. ii. p. 106.

⁴ *Constitutional History of the United States*, vol. i. pp. 83-84.

assumption by the national government of the state debts, the investing of the central power with complete command of the national resources—these were only means to an end, and were all alike designed to cement the Union more closely together, to make us one nation tomorrow as well as today.

This report, then, is a political rather than an economic treatise; and there is, accordingly, little here that will help us much in rating Hamilton as an economist. We need to notice, however, one or two criticisms that have been made against Hamilton's financiering. It is sometimes said, for example, that Hamilton's idea of a sinking fund was equivalent to paying off debt with one hand while borrowing heavily with the other, and resulted merely in fastening a debt in perpetuity upon the country. But Hamilton's main reason for attaching sinking funds to certain forms of indebtedment was probably his belief that such a provision would increase the market value of the securities thus treated, and would help the credit of the government in general. That this object was substantially attained may be seen in the fact that the government securities rose in market value from 22 per cent. in March 1789, to more than par in January 1792. Well might Webster say of Hamilton, "He struck the rock of public credit, and refreshing streams burst forth; he touched the corpse of public prosperity and it sprang to its feet."

Another criticism suggested by a part of the First Report on Public Credit concerns Hamilton's addiction to "rarefied minutiæ" in a degree almost Ricardian. It must be admitted that some of Hamilton's fiscal elaborations are "too clever by half," and seem to be what Jefferson insisted that they were intended to be—Daedalian puzzles. Consider, for example, the nicely balanced options that Hamilton offered the public creditor about to change the form of his claim against the state. Hamilton evidently believed with Lowell that "what men prize most is a privilege, even if it be that of chief mourner at a funeral;" and he gave the public creditor, accordingly, the privilege of changing his evidences of indebtedness in any one of six different

ways. Again in 1797 Hamilton showed his abnormal love of intricate details in his plan for taxing buildings. This was simple enough on paper, but would have been wholly impracticable in actual operation.

We come now to what must be regarded as Hamilton's strongest title to a high rank among economists. The Report on a National Bank,¹ to be sure, is very far from being exclusively economic. Just as the earlier document on public credit had been essentially political and only incidentally economic, so this treatise on national banking was predominantly legal and political. It is, for the most part, the constitutional lawyer that holds the pen, pleading for the cause of Federalism. Still, economics and politics pointed in the same direction here, and Hamilton availed himself to the utmost of whatever ability he had in economic reasoning and knowledge.

We have already noticed the critic's liability to underrate Hamilton, owing to the rapid advance of economics in this century; and we need to keep this danger prominently in view in connection with Hamilton's chapters on banking. Living today in the midst of notes and drafts, bills and checks, and all the varied devices included in our marvelous mechanism of exchange, with banks on every corner and clearing houses in every city, we can hardly understand the slight development of these instruments a century ago. This extreme facility of transfer and these wonderfully refined uses of credit have come in the train of the railroad and the telegraph, and were impossible in Hamilton's day. We need not wonder, then, that the report on banking seems to offer us little that is original or strikingly good; for the reason is identical with that which explains why some one found *Hamlet* a mass of musty proverbs, hackneyed metaphors, and stale quotations generally. The economic portions of this report have become so fundamental a part of the science that they seem to us today the veriest commonplace, and we cannot easily see that Hamilton was years in advance of his most enlightened contemporaries.

¹ Communicated to the House of Representatives December 14, 1790.

December 1790 is the date of this report; but the plan had been long maturing in Hamilton's mind, and the essential parts of his system were thought out at least ten years before. In a letter¹ to James Duane in 1780 and in two letters² to Robert Morris in the same and the following year—most remarkable productions all of them for a young man of twenty-three—Hamilton sketched out roughly a plan for an establishment designed to “erect a mass of credit that will supply the defect of moneyed capital, and answer all the purposes of cash I mean the institution of a NATIONAL BANK.”³ The guiding lines and the leading features of this plan were the same with those of the later bank actually established. Aid to the general government was the prime object. Notes might be issued receivable for all public dues; but the aggregate issue of these notes was never to exceed the amount of the bank stock; and “no person should be obliged to receive them in private dealing. Their credit must depend upon opinion; and this opinion would be injured by legislative interposition.”⁴ Four of the twelve directors were to be chosen by Congress. These principles were all retained in the First National Bank; but one feature of the earlier plan was changed afterwards, showing that Hamilton had grown wiser in the interval. In the second letter to Morris (April 1781) Hamilton had suggested that the proposed bank should deal in real estate, affirming that, “by watching favorable opportunities, the bank might in this way acquire vast property.”⁵ This dangerous feature is not found in the later plan; and the bank of 1791 was subject to the usual restriction as to the kind of property that it could own—*i. e.*, it could hold, except for the purpose of securing bad debts, only such real estate as was appropriate to its business.

These views, Hamilton tells Duane modestly, were “the prod-

¹ *Works*, vol. i. p. 203.

² *Works*, vol. iii. pp. 61, 82.

³ *Works*, vol. iii. pp. 99, 100.

⁴ *Works*, vol. iii. p. 117.

⁵ *Works*, vol. iii. p. 111.

uct of some reading on the subjects of commerce and finance, and of occasional reflections on our particular situation.”¹ But very much “reading” and very many long-continued “reflections” might easily be inferred from the result. In the non-compulsory circulation of the notes and in the final provision as to holding real estate, we find Hamilton anticipating the results of the cumulative experience of the present generation; and in numerous other particulars we may see equally striking evidence of Hamilton’s genius for finance. In enumerating the advantages of the proposed bank Hamilton explains, much more clearly than most modern text-books explain, how banks increase the active capital of the country; and, in particular, he shows a perfect appreciation of the true significance of bank deposits—of the fact that loans and discounts really make a positive addition to the circulating medium of the country. The passage reads like an extract from a modern author, except, indeed, that in clearness and grace of exposition the palm must be yielded to Hamilton.²

Every loan which a bank makes is, in its first shape, a credit given to the borrower on its books, the amount of which it stands ready to pay, either in its own notes, or in gold or silver, at his option. But, in a great number of cases, no actual payment is made in either. The borrower, frequently, by a check or order, transfers his credit to some other person, to whom he has a payment to make, who, in his turn, is as often content with a similar credit, because he is satisfied that he can, whenever he pleases, either convert it into cash, or pass it to some other hand, as an equivalent for it. And in this manner the credit keeps circulating, performing in every stage the office of money, till it is extinguished by a discount with some person who has a payment to make to the bank, to an equal or greater amount. Thus large sums are lent and paid, frequently through a variety of hands, without the intervention of a single piece of coin.

The following passage is significant as indicating Hamilton’s adherence, in this instance at least, to the doctrine of individual sufficiency :³

¹ *Works*, vol. iii. p. 81.

² *Works*, vol. iii. pp. 128, 129.

³ *Works*, vol. iii. p. 163. In some ways, however, Hamilton sanctioned an intimate relation between the government and the bank. At the start, government

The keen, steady, and, as it were, magnetic sense of their own interest as proprietors, in the directors of a bank, pointing invariably to its true pole—the prosperity of the institution,—is the only security that can always be relied upon for a careful and prudent administration.

The following passage is of special interest in connection with our subsequent legal-tender experiences :¹

The emitting of paper money by the authority of the government is wisely prohibited to the individual states by the National Constitution; and the spirit of that prohibition ought not to be disregarded by the Government of the United States. . . . (Paper emissions) are of a nature so liable to abuse—and, it may even be affirmed, so certain of being abused—that the wisdom of the government will be shown in never trusting itself with the use of so seducing and dangerous an expedient. . . . The stamping of paper is an operation so much easier than the laying of taxes, that a government in the practice of paper emissions would rarely fail . . . to indulge itself too far in the employment of that resource.

Before taking leave of the Report on Banking we ought, in justice to Hamilton, to give his reasons for certain rather abrupt departures in his plan from the more approved methods of the present day. Hamilton found fault with the Bank of North America for not adopting the principle of rotation in the appointment of officers; and the Bank Act of 1791 provided that directors should not hold office for more than a certain number of unbroken years. Of course, the knowledge to be derived from experience would plead against this arrangement; and Hamilton, accordingly, excepted from the principle of rotation the leading director. But he favored the periodical exclu-

patronage was needed to give the bank prestige with the public, and the purchase by the government of one-fifth of the bank stock was very effective for this purpose. The investment proved a good one for the government, since it received dividends ranging from 7 to 9 per cent., and paid for the money so invested only 6 per cent. Moreover, the government sold its stock at an advance of 25 per cent. in the case of one block of stock (in 1797) and of 45 per cent. in the case of another block (in 1802). Hamilton opposed the selling of the stock under these conditions. It would seem, however, that the government had served its purpose in helping to place the bank on its feet and that, after the bank had become fairly established, there was no good reason why the government should continue to hold stock in the institution.

¹ *Works*, vol. iii. p. 149.

sion of the other directors for two reasons: (*a*) to lessen the danger of combination among the directors; (*b*) to allay the distrust that would inevitably arise from the continued administration of the same set of officers.¹

The act incorporating the First National Bank had one or two other provisions at which modern bankers would look askance. Hamilton condemned the method in general use today of allowing stockholders to vote in exact proportion to their ownership of stock; he would give the holder of ten shares more votes than the holder of five; but not twice as many. "A vote for each share renders a combination between a few principal stockholders, to monopolize the power and benefits of the bank, too easy. . . . A prudent mean is to be preferred."² The Act of 1791 provided that no one should have more than thirty votes. Another unusual article in that act—undeniably bad—limited the rate of interest that the bank might receive to 6 per cent. There is no provision like that of the present system giving note-holders a preferential claim to the assets of the bank.

Not a few readers will question our judgment in giving to the bank report the first place among Hamilton's economic writings; and will rather bestow that honor upon the next important product of the secretary's busy pen. To the present writer, however, the Report on Manufactures,³ viewed as a contribution to the pure science of economics, has always seemed a somewhat overestimated document. We have no idea, indeed, that Hamilton himself ever viewed his work from this standpoint, or supposed that he was giving the world a scientific exposition of economic laws. Nevertheless, plenty of Hamilton's readers have taken this view of the subject, and, on purely economic grounds alone, have lauded this report to the skies. Henry Cabot Lodge, for example, leaving the First Report on

¹ Cf. *Works*, vol. iii. pp. 156–157.

² *Works*, vol. iii. p. 158.

³ Submitted to the House of Representatives December 5, 1791.

Public Credit out of the question, regards this work as the most important of Hamilton's state papers.¹

And so, perhaps, it is; but in its political and historical, not in its economic, character. The Report on Manufactures, notwithstanding its scientific theorizing and its long array of industrial statistics, is essentially a political document. Hamilton's views on manufactures are a part of his general system of government, and are, politically, of a piece with his views on national coinage, national banking, and national indebtedness. The reasons for this belief, in the face of authoritative opinions to the contrary, are most numerous and most cogent. Professor Wm. G. Sumner, indeed, declares that this report contains the "best statement of the protectionist argument ever made;"² and Mr. Lodge says of the same document, "As an argument for the adoption of the protective principle as the true policy for the United States, without reference to other countries, it has never been successfully answered."³ But the fact is that this report makes no "statement of the protectionist argument"—that is to say, it nowhere discusses, nowhere attempts either to defend or to combat, the abstract and general doctrine of protection; and as for Mr. Lodge's assertion (by implication, at least) that protection in the United States today is vindicated by the Report on Manufactures, nothing could more startlingly reverse the correct interpretation of that treatise. Hamilton's conclusions, drawn from data representing historical and industrial facts, are strictly contingent on the reality of those facts; and the validity of his reasoning, in general, is rigidly conditioned by the continued truth of the premises from which such reasoning proceeds. The industrial and political elements of the protective question in this country today are, of course, vastly different from those of Hamilton's time; and John T. Morse is entirely right in saying that it is "altogether impossible to predicate from anything contained in this report (on Manu-

¹ *Works*, vol. iii. p. 416.

² *Protection in the United States*, p. 32.

³ *Works*, vol. iii. p. 417.

factures) what would be its writer's opinion as to the proper policy in the present circumstances of this country." Let us see if all this is not so—if the Report on Manufactures does not embody a political purpose rather than an industrial theory.

In the first place, the subject of protection at the beginning of our republic was nothing like the burning question that it has since become—that it became, say, at the close of the War of 1812. Mr. A. S. Bolles, indeed, declares that in this early period "the tide of public opinion set more strongly in the direction of governmental protection than it does today,"¹ but it is difficult to find any confirmation of this view in contemporary documents bearing on the question. The fact seems to be, rather, that so far as the protectionist controversy is concerned, public opinion was relatively inert in 1790.² The issues of the day related to the foreign policy and the general powers of the new government; and the tariff question had little share in the public attention. The absence of any settled convictions upon this subject in the guiding minds of those days is shown by the weathercock ease with which opinions veered. Madison's speeches in 1789 show him to have been on general principles a free trader—"a friend," as he himself says, "of a very free system of commerce;" but in 1794, leagued with Jefferson as the head of the Republican party and thus influenced, perhaps, by changes in the political world, Madison supported the plan of paying high duties on English manufactures. Fisher Ames, on the other hand, advocated the principles of free trade in 1794, although his course had lain in the other direction at the time of the first tariff act. The debates on this act show clearly that Congress wished to provide a tax of some sort as soon as possible, and concerned itself for the most part with purely revenue considerations.

Thus we see that there was nothing in the general spirit of

¹ *Financial History of the United States, 1789-1860*, p. 78.

² Cf., however, a paper by WILLIAM HILL, on "Protective Purposes of the Tariff Act of 1789," in the *JOURNAL* for December 1893.

the times to incline Hamilton's mind towards the industrial conception of protection; and the Report on Manufactures discovers no trace of any advocacy of such a principle. The question with Hamilton was a much wider one than that which we commonly have in mind in thinking of protection. We regard the taxing of imports as the chief resource for encouraging manufactures; but Hamilton gives this device a comparatively unimportant place in his scheme, and lays most stress on the granting of bounties. He proposed that a system of bounties should be established by the government on a large scale; and he used his utmost endeavor to defend the constitutionality of such a measure. Here, as in numerous other places, it is plain that the controlling motive behind this Report is the same with that underlying the rest of Hamilton's work—namely, a desire to bolster up the national government, to establish executive centralization.

We have confessed to some distrust of the economics in this Report; and one or two examples may serve to explain this feeling. Hamilton urges the introduction of manufactures on the grounds that the cheapening expedients arising from the division of labor and the extensive use of machinery can be applied more widely in manufactures than in agriculture. Such was the fact, probably, at the time of Hamilton's writing; but the inference was hasty. From the mere circumstance that manufactures allow a larger use of labor-saving devices than agriculture allows it does not necessarily follow that manufactures should be at once introduced; for it is perfectly possible, by means of international trade, to receive the same benefits from these expedients that would accrue if they were applied in the country itself. Whether or not a country will get the best results by setting up machinery of its own depends on its comparative advantages in manufactures and in agriculture. If its pre-eminence over other countries in agriculture is great, and if, at the same time, its ascendancy in the field of manufactures is less marked or is, indeed, altogether wanting, such a country will get its manufactures most cheaply by offering in exchange agricultural products; and the fact that one or the

other of these forms of industry has a special adaptability for machinery does not bear upon the question.

In his views about the comparative productiveness of agriculture and of manufactures Hamilton is again caught napping. In his day there was a widespread belief that agriculture is productive in a peculiar degree; and the fact that manufactures give no equivalent for rent was cited as proof of the theory. Hamilton meets this argument by asserting that, inasmuch as rent is only another form of profit upon capital—profit, that is to say, upon the landowner's capital—there is really no difference in the net return in the two cases; though the fact is veiled by the circumstance that in manufactures the profit is divided between the owner and the manager of the property; while in agriculture the whole profit goes to a single person, since a single person is usually both manager and owner. Hamilton's argument reminds one of Charles Lamb's sally at the vagaries of feminine logic: "Madam, I accept your conclusions; but you must allow me to find the reasons for them." Hamilton is right on the main question; but he is hopelessly wrong in showing that he is right. His error—not a strange one twenty-five years before Ricardo's discovery—arises from a mistaken notion as to the real nature of rent.

We need not linger long in sounding the praises of the Report on Manufactures; for the unmistakable verdict of able criticism has made such praise superfluous. As regards one phase of the protectionist controversy—the encouragement of nascent industries—Hamilton has said about all that can be said; and most of the other stock arguments—"home market," "absence of reciprocity," "pauper labor,"¹ and so on—are either

¹ But notice that Hamilton treats the wages argument as one in favor of free trade (*Works*, vol. iii. pp. 332-333). In fact, the labor argument, up to about the year 1830, was employed almost exclusively against protection. They used to meet the "young industries" argument with the assertion that the higher rate of wages in this country made the establishment of manufactures here impossible. Clay, arguing in 1820 against free trade, denied that wages were higher here than in England, and, admitting that fact, he denied the validity of the assertion founded upon it, on the ground that, owing to inventions, labor was no longer the principal element in manufactures (Clay's *Works*, vol. i. pp. 465-466). Webster's use of the labor argument also, was unlike that of the present day (Webster's *Works*, vol. iii. pp. 140-142).

fully developed or at least distinctly stated in the Report on Manufactures. If, however, the economic value of this treatise has been amply recognized, its historical value could hardly be overrated. In the year 1790 there was no knowledge-reeking bureau of information, no system of congressional investigations deluging the land with torrents of high-running figures, no government printing office pouring out every year with fatal facility more statistics than anyone knows what to do with. But Hamilton's report goes a long way in supplying this deficiency, for the last part of that document is a simple rich-veined mine of precious information concerning the industrial and commercial development of this country at the close of the eighteenth century. Perhaps Hamilton would not quite agree with George Canning that there is nothing on earth so sublime as a fact, but this part of the Report on Manufactures shows that its author had, as Lodge declares, a "powerful imagination for facts"—that is, a quick appreciation and a clever exposition of the significance of facts. If the political economy of the report were much weaker than it is, the historical value of the document would make it easily first among similar state papers.¹

We have now examined, as fully as our limits would allow, the more important of Hamilton's economic writings. There are others, indeed, that well deserve our study. The Second Report on Public Credit,² written just before Hamilton went out of office and giving the finishing touches to his system, was the crowning conclusion of a work already securely enthroned in the temple

¹ Free traders are wont to shower praises upon Secretary Walker's report that formed the basis of the temperate-toned tariff of 1846. The scarcity of free trade material among government publications may account for these golden opinions, for it is certain that such admiration is unaccountable on the score of real merit. The only thing of the sort comparable with Hamilton's report is Gallatin's memorial of 1832—not a state paper, although presented to Congress by the Philadelphia convention in favor of tariff reform and prepared by Gallatin in the same way that a Secretary of the Treasury might prepare a similar document. This memorial, notwithstanding the Lethean haze that long enveloped it, is a most masterly plea for unshackled commerce and a very thoroughgoing exposition of the scientific validity of free-trade principles.

² Submitted to the House of Representatives January 16, 1795.

of fame. Hamilton's report¹ on the establishment of a mint, containing his views on coinage and on the comparative merits of a single and a double standard, would help us to determine his rank as an economist. The subject of taxation, also, in which Hamilton's powers as a financier had full play, has necessarily been slighted here. In a report communicated to Congress on March 6, 1792,² Hamilton put in a permanent and unanswerable form the argument for the internal revenue and an excise on spirits. This policy is so firmly established now that we wonder how the opposite practice could ever have been followed. But the recollection of British taxation made the people at the beginning of our government very reluctant to suffer taxation of this kind. Jackson, of Georgia, "plainly perceived that the time would come when a shirt should not be washed without an excise;" and the same chronic growler complained that the excise would deprive the southern people of "almost the only luxury they enjoy, that of distilled spirits." These and other topics might appropriately find a place in a study like ours. But this is an essay, not a book, and we must now try to attain our object—to determine the rank of Hamilton as an economist—with such material as we have at hand.

In the first place, then, our examination has shown that in one sense of the term—in the sense for which some writers contend, and which makes the economist an embodiment of politics, law, ethics, and economics proper—Hamilton has reached a foremost place. As an economist in this sense he must take rank with the greatest of modern statesmen, with men like Turgot and Pitt, Bismarck and Gladstone. Considering the span of years allotted to him, the enormous obstacles in his path, the wide scope of his genius, and the solid results of his work, Hamilton was, perhaps, greater than any of these. Some people do not hesitate to say that without Hamilton there would have been no United States, and most people will agree that without Hamilton there would have been no such United States as we

¹ Submitted January 28, 1791. *Works*, vol. iii. p. 231.

² *Works*, vol. ii. p. 182.

have today. The schoolboy, indeed, knows something of Jefferson long before he has even heard of Hamilton, but the one man was only the shadow of the other—at least so far as his influence went in giving permanent shape to the political institutions of our country. To say, as is sometimes said, that Hamilton, more than anyone else, determined our early history, is not enough; Hamilton, more than anyone else, made all our history early and late together. The administrative institutions that he established, the political conceptions that he vindicated and grafted into our governmental philosophy, the theories of statecraft that he believed in himself so heartily, that he explained to others so vividly, and with which he impregnated so effectually our body politic—all these have been operative throughout our history, and are still efficient in giving shape and direction to the national life. Our treasury service and revenue arrangements are about the same today that they were when Hamilton left them, and historians have often remarked in Hamilton's executive system its wonderful power of expansion and adaptability to changed conditions. But these administrative methods are, after all, among the least of Hamilton's gifts to his adopted land. His greatest benefactions consist in the mould that he cast for the country's development, in the bent that he gave to the national genius, in the impression that he made on the political thought of his people. The power and the effect of ideas no one can measure, so that no one can say in just what degree Hamilton made us what we are today; but it cannot be doubted that his influence has been most profound throughout our history.

The writings of Hamilton that we have examined would show this if the clear-toned voice of history had not proclaimed the fact. The fragmentary extracts given here could not possibly demonstrate the real worth of these Reports any more than the brick that the pedant in Hierocles carried about as a specimen could show the value of the house that he wished to sell. In fact, these works are classics of political literature. Profound in thought, clear in reasoning, and pure in style, they are

masterpieces of their kind, and may safely challenge comparison with the best in other languages. There is, indeed, no brilliant imagery here, no flashing wit, and not a spark of humor ; no clever introduction of apt quotation, no tidbit of classical allusion, no stealthy insinuation of poetic gems, no touch of gentle raillery, nor sprinkling of measured sarcasm, nor even a dash of mild-mannered invective. None of these has Hamilton, nor any of the other delicacies demanded by the dainty palate of modern literary epicures. Hamilton is no rhetorician, no phrasemonger, as others are ; he only speaks right on. But no style could be better suited to its purpose, could attain its end more infallibly. Statement and demonstration are one with him ; setting forth the issue is argument, and summing up the case is proof. When Marshall raised his forefinger and began, "It is conceded," Webster saw in advance, he tells us, the complete collapse of all his cherished arguments ; in the same way, when Hamilton, at the beginning of an essay, collects his forces and announces the plan of the campaign, opponents may well expect defeat.

But the work of Hamilton's Reports was not ended in the adoption of the plans that they advocated. Many of the questions over which men are disputing today have their merits most clearly set forth in Hamilton's writings. Indeed, even now, after the lapse of a century, there is very little that is obsolete in these Reports. Some of the arguments in favor of protection, deriving their force from conditions long since essentially changed, and some of the details in the more complicated parts of the funding system, have lost much of their former interest ; but, for the most part, Hamilton's Reports are still full of vital matter that cannot die nor even lose its freshness so long as the science of government lasts, so long as men continue to ask how best to rule themselves.

Thus one solution of our problem is easily found, and places Hamilton in the very front rank of statesmen. This conclusion, however, was foregone, and does not answer the question with which we are concerned. What, then, in the light of this exam-

ination, shall we say of Hamilton as an economist, in the narrower and more usual sense of the term? Here, again, we shall do well to simplify the issue by subdividing our subject and considering Hamilton (*a*), as knowing and applying existing economics to practical affairs, and (*b*), as making positive contributions to the principles or the theories or the methods of the science.

Taken in the former of these aspects, Hamilton must still be regarded as a great economist. We have noticed the very imperfect development of economics at the time of Hamilton's writing; and the reader of his Reports wonders constantly where the author found so much in the economic treatises of those days. We perceive here both an intimate acquaintance with general principles—so far as general principles had then been formulated—and profound knowledge of such economic questions as had then arisen in the world's history. Moreover, the skillful application of this knowledge to the peculiar conditions of the new nation is no less to be observed. They go too far, perhaps, who assert that every country has a political economy of its own quite distinct from that of every other country and even from that of the same country at a different period; and the suggestion of an "American Political Economy" tempts one to ask whether there is also an American geology or an American astronomy. Still, there can be no doubt that the principles underlying any branch of sociology have a degree of elasticity foreign to the nature of a physical science; and the rigidity of the law of gravitation, for example, cannot be predicated of the laws of a social science. It was no easy thing, therefore, for Hamilton to apply to the untried conditions of this country principles and laws framed from the experience of other lands. The peculiar nature of our political institutions and the unfettered condition of industrial elements here essentially differentiated this country from the nations of the old world, and made the application of economic laws a matter of especial difficulty. But Hamilton felt his way with masterly care as he approached this unknown coast of statesmanship, not relying overmuch upon

existing charts prepared from insufficient data, sounding frequently with the lead of independent reasoning, and taking his bearings now and then from the landmark of perfect acquaintance with our industrial and political conditions.

In two senses of the term, then, we find that Hamilton must be classed with the leading economists. There remains a third construction of the word—that which looks upon the economist not as a mere student or practitioner in economics, but as a scientist aiming to add something to the existing stock of economic knowledge. For the purposes of our study this last meaning is the one most appropriate. Using the word in this sense, we must modify at once our former conclusions, and can no longer give to Hamilton the exalted rank before accorded. Consider the great names in the science—Adam Smith, Ricardo, Mill, and Cairnes—and the reasons for their renown. We call these men great economists, not for their acquaintance with general sociology, nor on account of their knowledge of economic laws and principles, nor yet because of their practical applications of economics in the world of politics or commerce, but almost entirely on account of their positive contributions to the science—because they devised methods or discovered principles or framed laws helpful in explaining the production and the distribution of wealth. But Hamilton did none of these things; and we need not, therefore, hesitate in the opinion that he has few pretensions to the title of a great economist. The history of the science and the origin of the principles and the laws of which the science is made up show this: in the existing body of economic knowledge, what part was added by Hamilton? in the present development of economic theory, what element can be traced to him? Certain principles have been brought out more clearly by his elucidation, certain laws have received fresh confirmation from his researches, and the advantages of a combined deductive and inductive method in economic inquiry have been abundantly illustrated in his work: but these things, if we mistake not, constitute the sum of the benefits conferred by Hamilton upon the science of political economy. With a life less

crowded, indeed, and a range of study less encyclopædic, great results might have been expected from Hamilton in the field of pure economics. His example must always prove a powerful stimulus to students of the laws of wealth, and political economy must always acquire from Hamilton's patronage fresh prestige in the eyes of a world little inclined to homage the "dismal science." But these are minor achievements, after all, and our final judgment must be that, however great Hamilton may be as a statesman, his rank as an economist is not high.

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